

CA2ALID
AA2
OCT. 1974

ALBERTA LEGISLATURE LIBRARY



3 3398 00485 2157

Alberta ECONOMIC OUTLOOK

OCTOBER, 1974

ALBERTA'S ECONOMIC OUTLOOK — 1975

Economic growth for Alberta in 1975 is expected to remain strong in relation to the rest of Canada and the United States. All of Alberta's major economic indicators have shown substantial increases despite shortages, inflation and a generally more moderate outlook for the Canadian economy as a whole. Some selected indicators include:

* **Manufacturing:** January to July 1974 compared with January to July 1973.

- The value of manufacturing shipments increased 18.8 per cent.

* **Agriculture:** January to September 1974 compared with January to September 1973.

- The overall increase for crop cash receipts is 144 per cent.
- Total farm cash receipts increased 54.2 per cent.

* **Minerals:** January to July 1974 compared with January to July 1973.

- Production volume remained close to 1973 levels.
- Total sales value of crude oil, synthetic crude, condensate, pentanes increased by 62.0 per cent.
- Sales value of sulphur have increased 125 per cent.

Investment

* A significant level of investment activity is expected in the province in 1975 and thereafter.

- It is estimated that total investment in Alberta, over the next five years, measured in 1961 constant dollars, will increase at an average annual rate of between 8 and 9 per cent, compared to the average annual growth rate of 5 per cent in the previous decade. Real investment in 1975 is projected at between \$2.5 and \$3 billion.
- It has also been estimated that investment on major industrial projects over the next five years is double the proportion spent on major projects in the previous five years.

Employment

* The total labour force increased by 37,000 to 758,000 from October 1973 to October 1974.

- As well, the number of employed person increased by 46,000 to 745,000.
- The actual numbers of unemployed seem to be holding steadily at 13,000.
- The current unemployment rate of 1.7 per cent is considerably less than the national average of 4.4 per cent.

* The employment projections indicate a growth rate of at least 37,000 jobs for 1975. There is some question of whether we will have the workers to fill these positions, particularly in the construction, manufacturing and service areas.

- The pace of development could be limited by manpower shortages.

Consumer Spending

* Retail trade for the first seven months of 1974 was over \$317 million greater than 1973 — an 18.4 per cent increase. Figures for July 1973 compared with July 1974, indicate growth in retail trade of approximately \$59 million — a 23.4 per cent increase.

- Grocery stores, department and general stores showed approximately 20 per cent increase in sales for the period January to July 1973 — 1974.
- Motor vehicle sales showed a 21.7 per cent increase.
- Men's clothing stores increased sales by 14.3 per cent; women's clothing stores increased sales (January to June 1973 — 1974) by 23.4 per cent; and family clothing store sales were up by 22.2 per cent.
- Appliance stores increased trade by 11.5 per cent.

* There is a certain optimism felt for retail trade in 1975. Expansion in other areas of the economy will most cer-

Alberta
INDUSTRY AND COMMERCE

tainly be felt in the area of consumer expenditures, which will of course increase retail trade. It is expected that consumer spending will increase by at least 15 per cent in 1975.

Gross Domestic Product

* The Alberta Gross Domestic Product can be defined as a summing of the revenues from domestic production of finished goods and services.

* The Alberta Gross Domestic Product is expected to increase at a real growth rate of six per cent in 1975.

ALBERTA ECONOMIC OUTLOOK — 1975

by Industrial Sector

* As noted Alberta has recorded satisfactory growth in 1974, particularly in light of shortages, inflation and the general slowdown of the Canadian economy. Performance in all the major sectors has shown improvement in 1974 over 1973, with the outlook for 1975 being very positive.

Manufacturing

* According to the latest estimates, the value of manufacturer's shipments in Alberta from January to July 1974 is 18.8 per cent above the 1973 level.

The expected growth in manufacturing activity for the total year 1974 is reflected in the expected growth in manufacturing shipments. The rate of increase of shipments should accelerate during the third quarter and taper off in the fourth. Resulting in a yearly projection of shipments totalling \$3.5 billion.

A further 15 to 20 per cent increase is expected in 1975.

* Investment in manufacturing in Alberta is expected to increase by 19% in 1975 over 1974. About three quarters of this investment will be in the construction of various types of petrochemical plants in Alberta.

* In a recent survey of 35 proposed major industrial projects, 21 are in the manufacturing sector and are expected to begin construction in the latter part of 1974 or 1975. These projects will generate over \$4 billion of investment and provide employment for over 10,000 persons.

Agriculture

* Alternating years of upswing and downturn seems to be the pattern of the agricultural industry.

* For the first nine months of 1974, farm cash receipts for crops increased by 144 per cent whereas livestock producers receipts increased by only 8 per cent. A considerable portion of the cash receipts of grain farmers was accounted for by Canadian Wheat Board repayments. Whereas higher grain prices have contributed to the dramatic increase in grain farmers' receipts, they represent increased production costs to livestock farmers. In contrast to the shortage of grains, excess supply of livestock has impeded the rise of livestock prices. The favorable grain situation will likely continue into 1975. However, unless prices of livestock are allowed to rise to reflect increase in production costs, the situation in the livestock industry could worsen.

* Proposed investments for 1975, in the agricultural processing industry include:

- seed processing and cleaning plant
- hay cubing and dehydrating plant
- rapeseed crushing facility

Forest Sector

* The performance of the Alberta lumber industry is greatly dependent on the economies of the major trading partners — Japan, the United States and the European Economic Community countries.

* A sharp decline in housing starts in the United States and to a lesser extent in Canada, has affected both the demand and price of lumber.

- Central Mortgage Housing Corporation figures on housing starts, generally recognized as a barometer of housing activity, were running at an annual rate of 218,400 units in Canada during the first seven months of 1974. This compares with an annual rate of 285,000 units during the similar period in 1973.
- For the first six months of 1974, housing starts in the U.S. fell 31 per cent below the number for the same period last year. The declining housing market in North America is the result of record high interest rates for mortgages.

* For the months January to September 1974, lumber production in Alberta fell by 14.3 per cent and sales by 20.6 per cent compared to the same period last year. However, pulpwood production increased by 119 per cent during January to September 1974. The high demand for paper and paper products has encouraged this increase in production.

* The outlook for 1975 is uncertain but it is unlikely that the situation will improve if the United States and Canada continue to use tight monetary policies to fight inflation.

Mining

* Mineral production registered a slight increase in production. However, dramatic increases in prices led to a large increase in the value of sales.

* For the first eight months of 1974, the production of crude oil, synthetic crude condensate and pentanes plus went down by 1.7 per cent but the value of sales went up by 61.1 per cent.

* It is expected that for 1974, Alberta will show a modest decline of 10,800 b/d in output of conventional crude and pentanes plus from 1,596,100 b/d. Production of synthetic crude will average 45,500 b/d, a drop of 5,000 b/d from last year's average output of 50,500 b/d.

* For the first eight months of 1974, production of natural gas rose by only 1.9 per cent but the total value of sales of natural gas rose by 36.7 per cent. Canadian purchases rose by almost 11 per cent due to the rising consumption of gas in the industrial and commercial sectors. This trend is expected to continue in 1975.

ALBERTA ECONOMIC OUTLOOK

PERTINENT ECONOMIC INDICATORS FOR THE PROVINCE OF ALBERTA

Percentage Change in Volume Activity

INDICATOR	Total Year 1972-1971	Total Year 1973-1972	Year to Date 1974-1973
MANUFACTURING			
Slaughtered Meat Production	+ 3.3	- 2.2	- 10.3 (Jan. - Sept.)
Slaughtered Meat Exported	+ 5.3	- 0.6	- 5.3 (Jan. - Sept.)
Refinery Production	+21.4	+10.0	+10.1 (Jan. - Sept.)
Cement Production	+ 3.5	+ 7.8	- 1.1 (Jan. - Oct.)
MINING			
Oil Production	+20.8	+19.6	- 1.8 (Jan. - Aug.)
Gas Production	+16.8	+ 7.3	+ 1.9 (Jan. - Aug.)
Footage Drilled	+21.9	+28.3	- 3.2 (Jan. - Aug.)
Number of Wells Drilled	+13.1	+33.2	+51.6 (Jan. - Aug.)
Coal Production	+14.1	+ 2.9	- 3.6 (Jan. - Aug.)
CONSTRUCTION			
Urban Dwelling Starts	- 15.4	- 7.2	- 11.9 (Jan. - Sept.)
Rigid Insulation Board Shipments to Alberta	+ 5.9	- 1.7	- 12.3 (Jan. - Sept.)
Value of Alberta Building Permits	+12.1	+20.0	+43.8 (Jan. - Sept.)
AGRICULTURE			
Grain Shipments	- 2.9	- 16.4	+ 2.0 (Jan. - Oct.)
Livestock Marketed	- 1.6	- 6.4	- 11.1 (Jan. - July)
Farm Cash Receipts	+14.0	+32.3	+54.2 (Jan. - Sept.)
FORESTRY			
Lumber Production	+16.0	+33.6	- 14.3 (Jan. - Sept.)
Lumber Sales	+ 5.7	+17.5	- 20.4 (Jan. - Sept.)
Lumber Exports	+24.7	+ 2.5	- 45.1 (Jan. - Sept.)
Pulpwood Production	+47.8	+46.6	+119.0 (Jan. - Sept.)

	October 1974	September 1974	October 1973	September 1973
UNEMPLOYMENT RATE (unadjusted)				
Canada	4.4	4.5	4.6	4.6
Alberta	1.7	1.7	3.1	3.2

CONSUMER PRICE INDEX (1961 = 100)

Calgary — Edmonton	161.4	159.3	145.1	145.0
--------------------	-------	-------	-------	-------

* For the first eight months of 1974, production of sulphur decreased by 1.8 per cent and the portion marketed rose by 32.8 per cent. However the doubling of prices resulted in a 141 per cent increase in sales value. Total marketed sulphur is expected to rise during the rest of 1974, and this trend will continue in 1975. Sales prospects can be hindered by the shortage of rail transport and slating capacity.

* There has been a decline in oil exploration activity in Alberta. On October 26, 1974 there were 106 active rigs compared with 124 a year ago. Footage drilled up to October 1974 dropped to 10,159,519 from 10,591,492 recorded a year ago. This decline may have a dampening effect on future export supplies.

* Alberta Energy Resources Conservation Board reports that there is some uncertainty among exploration companies with regard to Federal Government tax policies. However, much of the exploration currently being undertaken in the province is in Southeastern Alberta, where gas is coming in at quite shallow depths (1,500 – 2,000 feet). Gas discovered in this area is a high quality. The decline in footage does not necessarily indicate a decline in activity. Also, the success rate in drilling is, according to AERCB officials, considerably higher than normal.

Coal

* To the end of July 1974, coal production decreased by about 3 per cent.

- There was a 14.6 per cent increase in the production of thermal coal and 17.6 per cent decrease in the production of metallurgical coal.
- The industry's future lies in the area of marketing of metallurgical reserves. The major portion of exports is destined for Japanese markets but Europe and South America may also be export markets.
- Almost all of the production of thermal coal has been used for the generation of electrical energy in Alberta.

Construction

* As already noted the number and individual size of some of the industrial projects expected to be under construction during the next five years will ensure continuing high activity in the construction industry for 1975 and beyond. However, this expected high level of activity will place heavy demands on construction materials and particularly labour throughout the decade. Shortages of materials and labour are already evident.

* In a survey of construction company executives it was felt that the present shortage of basic construction materials will persist for the remainder of this year and into 1975 as well. Cement, glass, structural and reinforcing steel seem the most scarce at present, but electrical and mechanical equipment and installations and roofing materials are also reported in short supply. Extended delivery dates of materials and equipment have also been noticeable and this had delayed completion of some projects. In some cases projects have been delayed until 1975 because of the shortages.

* The availability of labour for proposed projects in

Alberta within the next few years is also of concern. Shortages seem most apparent at present for carpenters and heavy equipment mechanics and operators. Other trades such as boilermakers, pipefitter, pipe welders and iron-workers are also in great demand. Unfilled requirements for supervisory personnel such as construction superintendents, project managers, and others are also evident.

WORLD FOOD PROSPECTS

Food is a commodity that most Canadians are not overly worried about. To be sure, they complain when prices increase and they are concerned about inflation. Ask anyone though, and while they may express doubts about price stability, they are certain that there will always be enough food.

And for Canadians there probably will always be enough food. The starving millions of the rest of the world are not so fortunate. This year they are even less fortunate because the grain harvests of the western world – Canada and the United States – are much lower than 1973.

Estimates of this year's Canadian wheat crop call for a harvest of 500-million bushels, considerably less than last year's 585-million bushels. The weather was particularly adverse, with some 35 to 50-per cent of this year's crop being damaged by a September prairie frost. Most of it can still be salvaged as utility grade grain for use as animal feed.

The United States also had a disappointing harvest. U.S. Department of Agriculture, reports a 16-per cent decrease in corn crop, a 20-per cent decrease in soy-bean production, although wheat managed a 4-per cent increase. The overall production figure indicates serious food and feed grain shortages. Two early October frosts further reduced the U.S. corn crop. It was hoped that the 1974 crop would reach 6,700-million bushels in order to build up feed grain reserves and take the pressure off rising food prices.

Earl Butz, U.S. Agriculture Secretary is now predicting an 8 to 10-per cent rise in food prices in 1975 – and most economists think he is being optimistic.

In Canada livestock producers can expect to pay more for feed and the resulting costs will be passed on to the consumer. Beef and poultry prices will rise. Fortunately, for Canadian consumers, the two price wheat system instituted by Ottawa last year will stabilize, by means of a subsidy, the domestic price of wheat products.

European and Japanese demand for feed grains will apply an upward pressure to prices. Canadian livestock and poultry producers can expect that little of the unusually large utility grade portion of the Canadian crop will be available to ease feed costs for Canadian producers.

Oats, barley and rapeseed crops are also down. This year's oats crop is estimated at 210-million bushels, down from last year's 271-million bushels. Barley crops are down from 440-million bushels in 1973 to an estimated 375 for 1974. Margarine prices can be expected to rise because of a reduction in the rapeseed crop – down from last year's 53.2-million bushels to this year's 51.4-million bushels.

Export of grain – taking into consideration inventories of last year's crop – will probably exceed last year's 419-million bushels. Canadian grain farmers should not be all that optimistic though. In spite of the high prices that are expected for top grade wheat, the general lower quality of the crop will reduce farm incomes.

Digitized by the Internet Archive
in 2025 with funding from
Legislative Assembly of Alberta - Alberta Legislature Library

